



NORTHWEST AIRLINES®

Impact of Rising Fuel Costs on NWA in Michigan

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Before the Michigan Transportation Funding Task Force

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Overview

- Overview of the impact of rising jet fuel costs on the commercial airline industry
- Impact on Northwest Airlines, Inc.
- Impact of 6% sales and use tax on jet fuel on Northwest Airlines, Inc.
- Request to the Transportation Funding Task Force

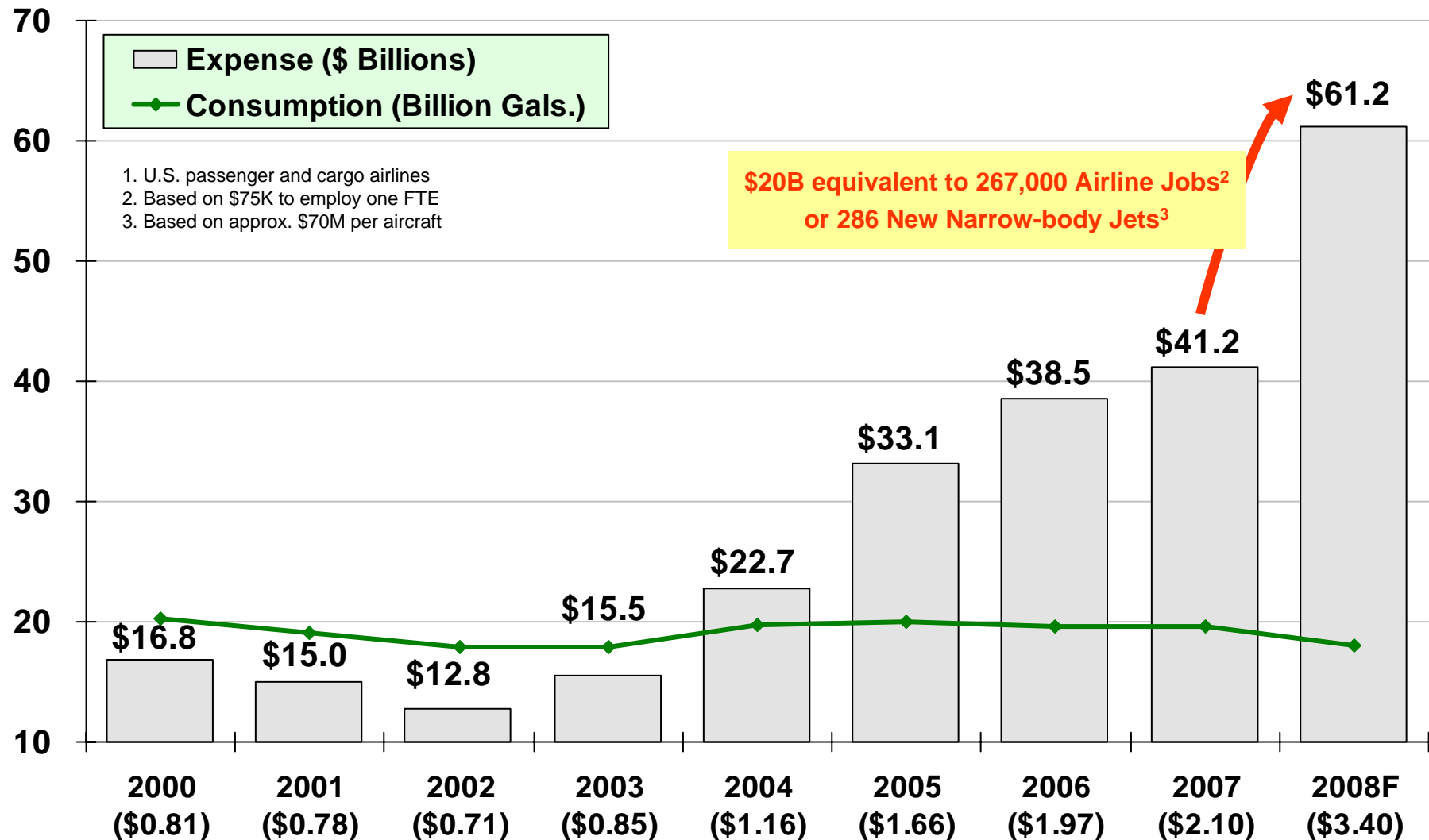


NWA Background

- **Northwest has deep roots in Detroit and around Michigan.**
 - Northwest has served Detroit since 1958 and has operated a hub here since 1986.
 - Over 500 daily departures from DTW
 - Servicing 15 airports in Michigan
- **Northwest currently employs more than 8,000 people in Michigan**
- **DTW is a premier hub in the Great Lakes region with connections across the globe**

2008 Jet Fuel Expense¹ Will Break 2007 Record

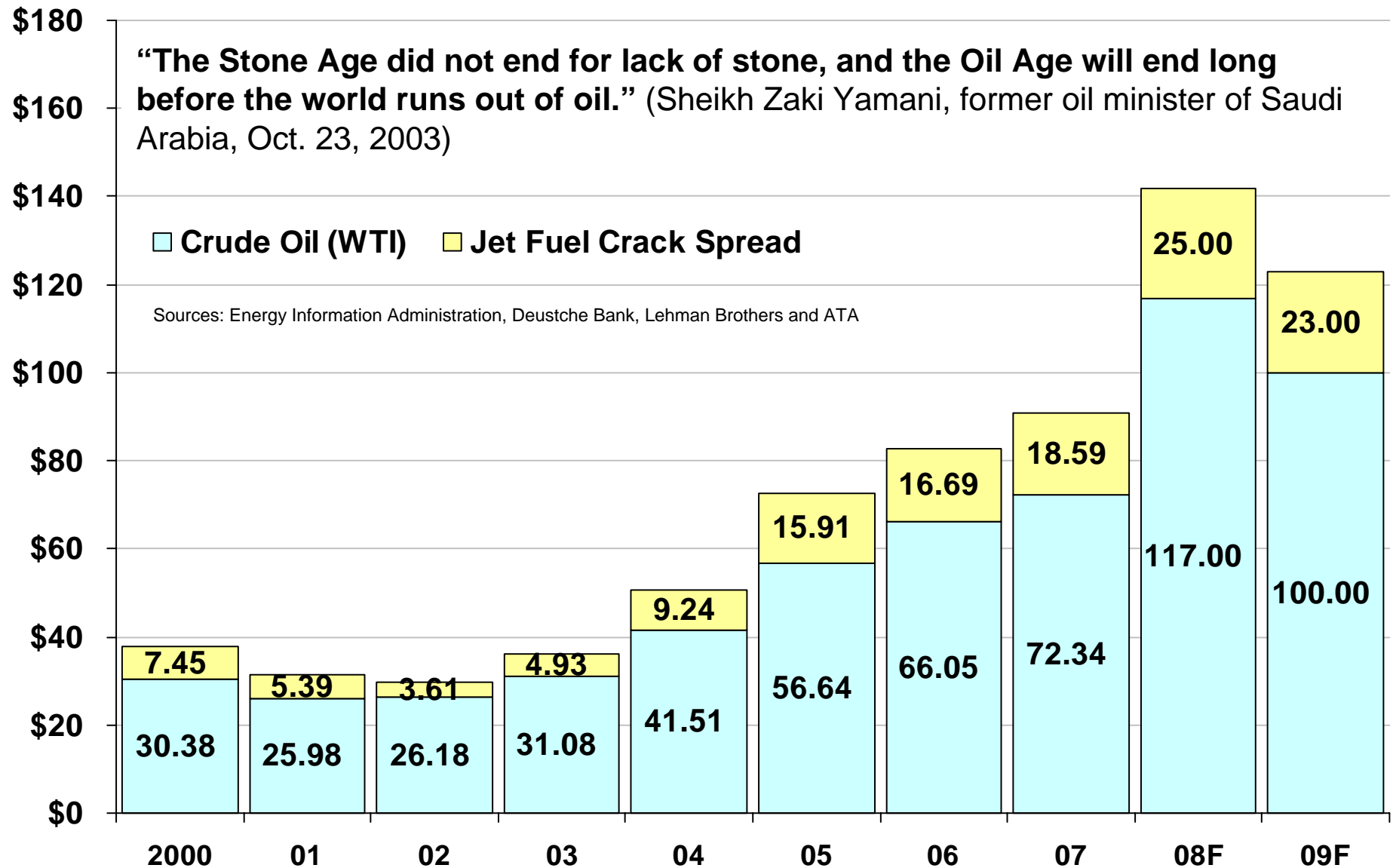
Expense (Excl. Taxes and Into-Plane Fees) Could Exceed \$61B on 18B Gallons



Note: Value in parentheses below year is average price paid per gallon excluding taxes, into-plane fees, pipeline tariffs and hedging costs

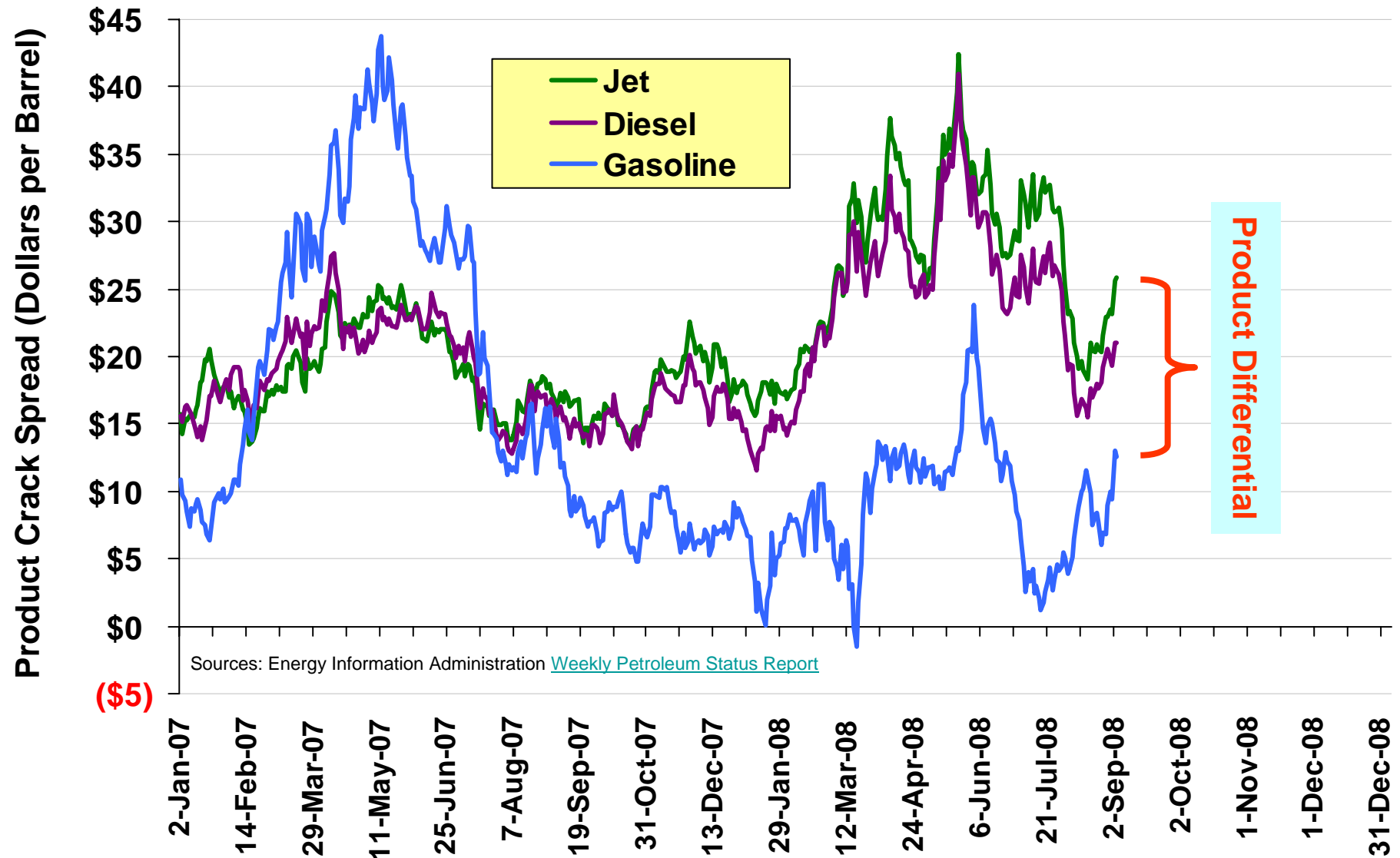
Sources: ATA, Energy Information Administration, Department of Transportation

Average Jet Fuel Price to Exceed \$140 per Barrel in 2008



Jet Fuel Maintaining Premium to Gasoline and Diesel

Key Factors Include U.S. Ethanol Mandates and Global Demand for Middle Distillates



For Whom the Bell Tolls

U.S. Airline Bankruptcies Since End of 2007 Include Numerous Shutdowns

Out of Business

Last Day of Ops

MAXjet	24-Dec-07
Big Sky	7-Jan-08
Aloha	31-Mar-08
ATA	2-Apr-08
Skybus	5-Apr-08
Eos	27-Apr-08
Champion	31-May-08
Air Midwest	30-Jun-08
Vintage Props & Jets ¹	18-Jul-08
Gemini Air Cargo	12-Aug-08
ExpressJet ²	2-Sep-08

1. Intends to re-launch operations should market conditions permit

2. Ceased branded commercial operations; will continue to fly as Continental Express

Continuing Operations

Ch. 11 Filing

Frontier

11-Apr-08

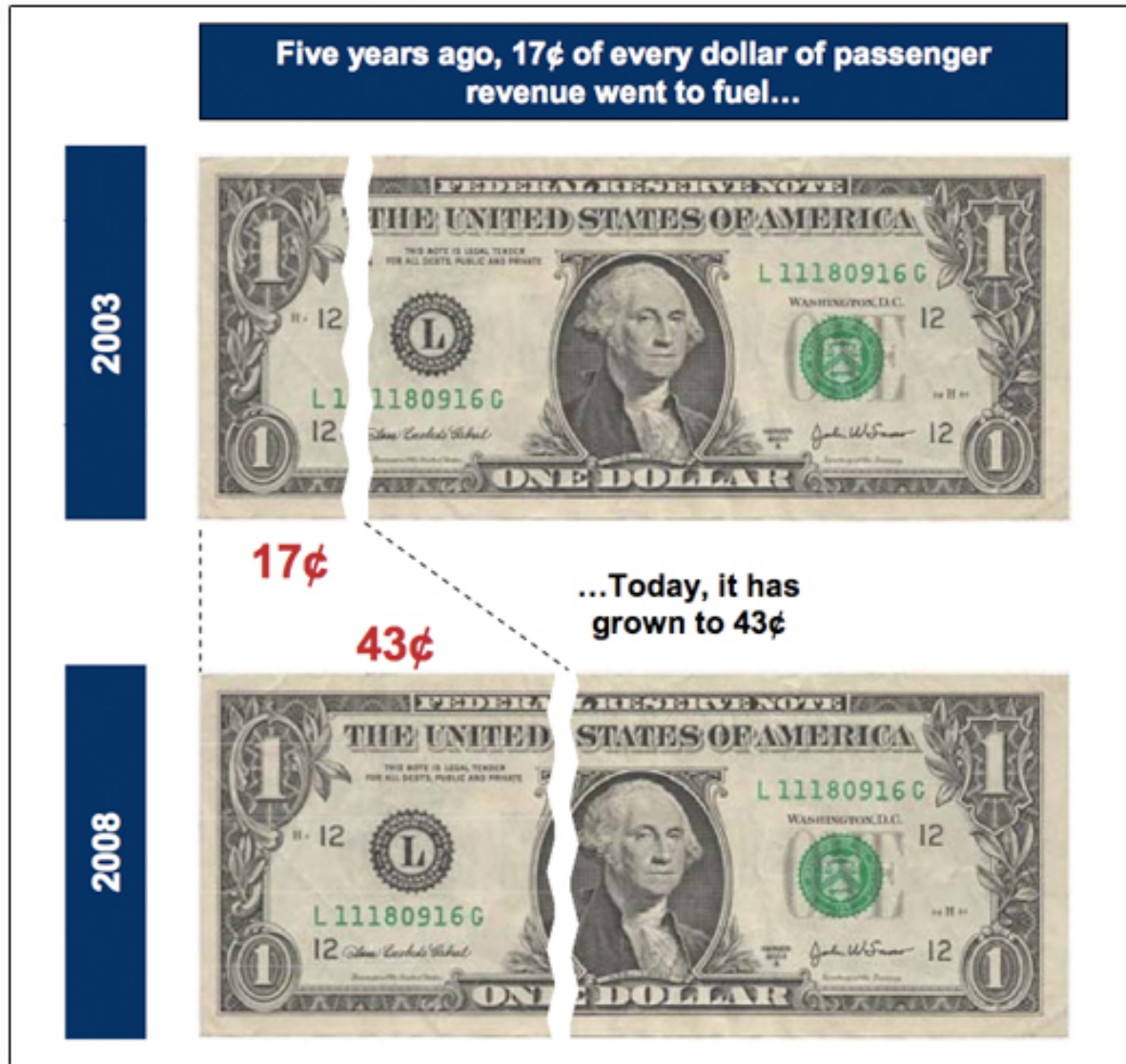
Note: Numerous non-U.S. airlines also have ceased operations



NWA Impact

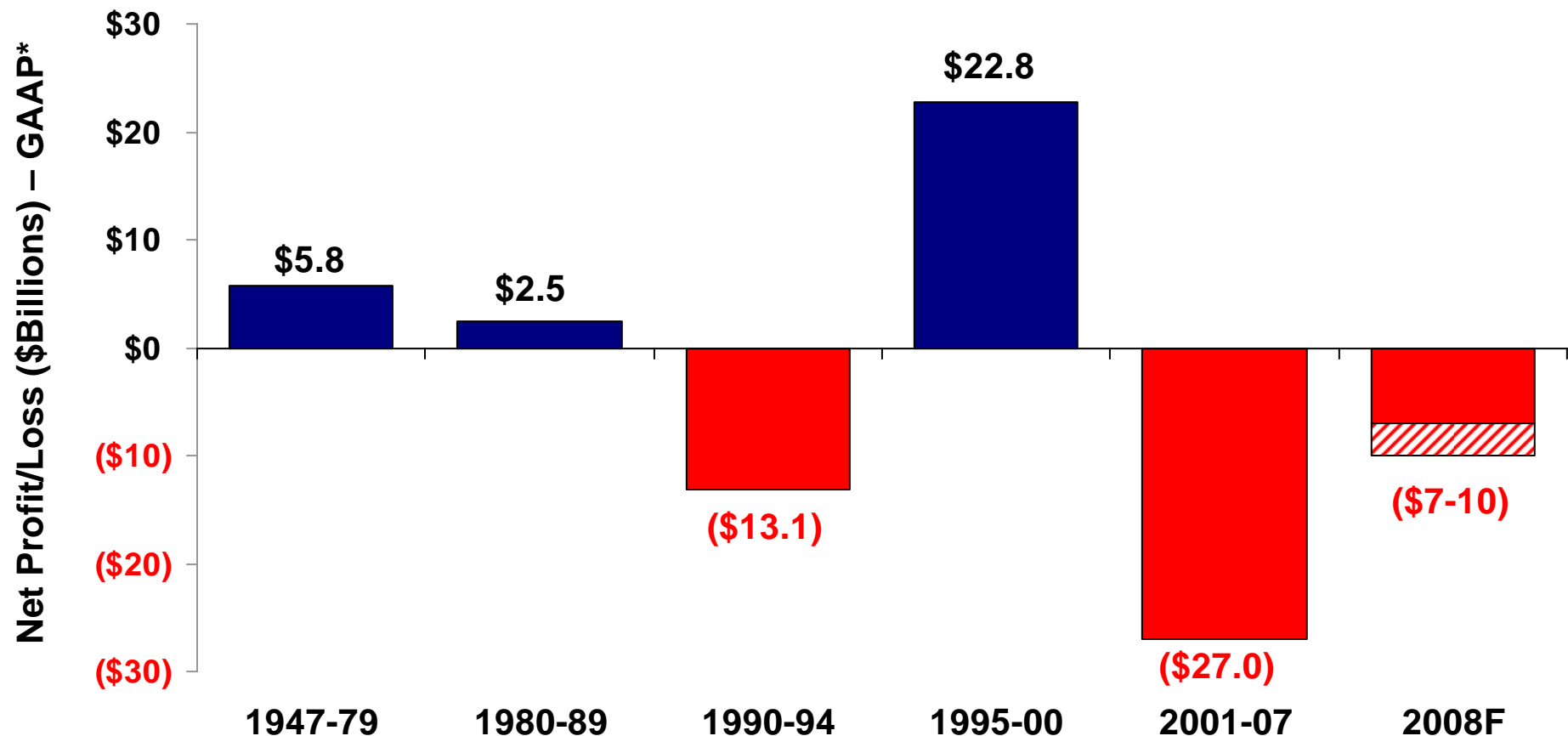
- May 2007:
 - NWA exits bankruptcy
 - Budget built on \$65 a barrel oil; most conservative estimate in the domestic industry at the time
- July 2008:
 - oil reaches a \$147 a barrel on the spot market
- Impact on NWA:
 - For every \$1 dollar over \$70 a barrel, the cost to NWA is \$42 million a year.
 - At \$147 a barrel this would have been about \$4 billion increase in fuel cost year over year
- Right now, NWA is on pace to spend over \$2 billion more in fuel costs in 2008 than 2007, and that is including a system-wide capacity reduction of 9% in the 4th Q, and oil retracting to closer to \$115 a barrel.

Fuel costs take more revenue dollars now than just 5 years ago



U.S. Airlines Face Massive Net Loss in 2008

“The industry hasn’t seen a real upcycle. 2006-2007 in retrospect now looks more like a brief reprieve from a downcycle rather than an upcycle. The industry has not been profitable enough to justify investment.” (Gary Chase, Lehman Brothers, “Implications of a Profound U.S. Airline Industry Restructuring,” June 27, 2008)



* Based on generally accepted accounting principles (GAAP), excluding extraordinary restructuring charges/gains for all U.S. passenger and cargo airlines

Sources: U.S. Bureau of Transportation Statistics, ATA research and estimates



Impact of 6% Sales and Use Tax on Jet Fuel

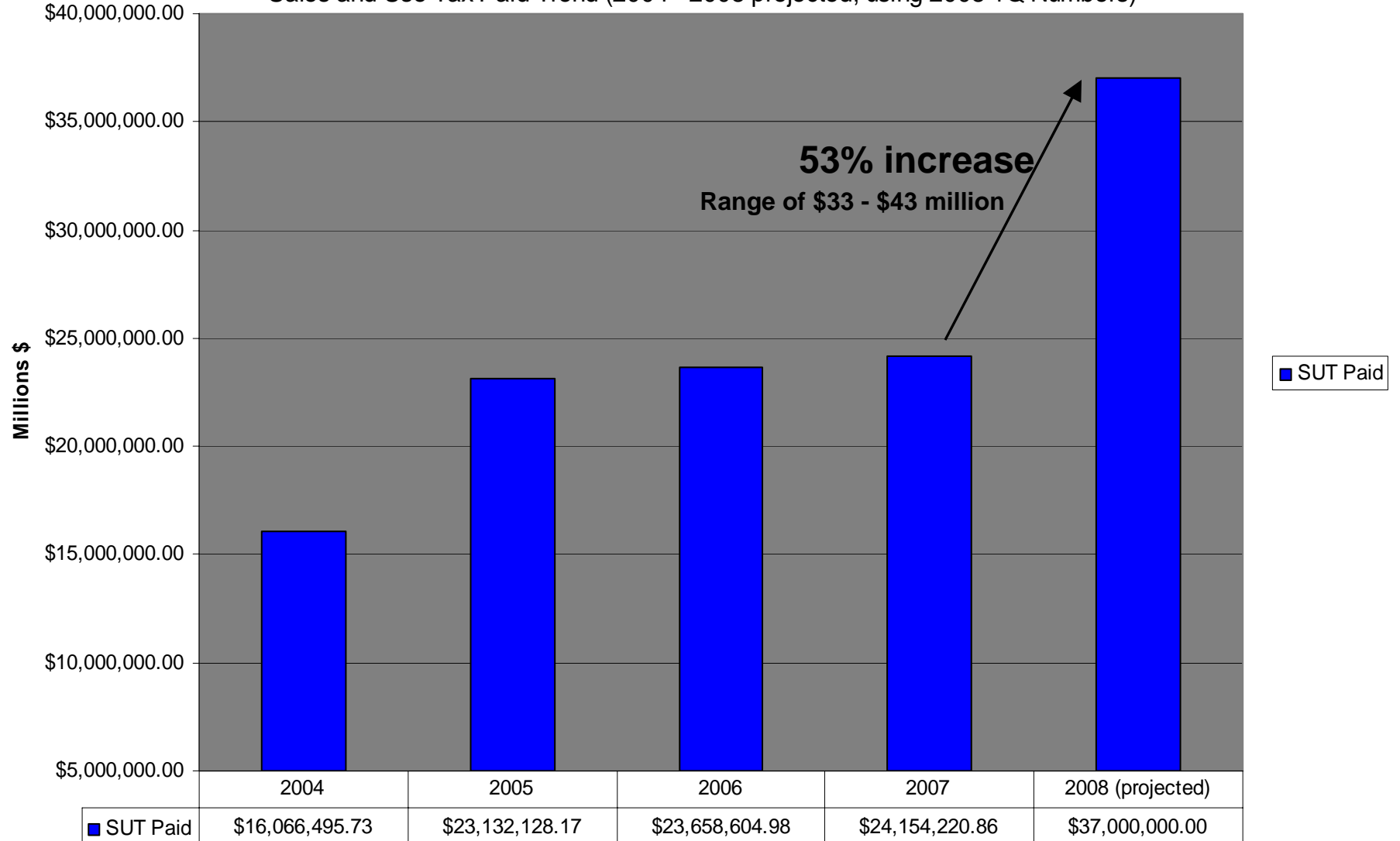
- As cost of fuel rises, the amount NWA pays to the state increases
- NWA doesn't have an offset in purchases like other consumers who pay sales tax
 - i.e. – NWA is not choosing to not use income on something else in the state because we are purchasing jet fuel
- This year, our tax burden on this tax alone with increase over 53% from prior year



Northwest Airlines

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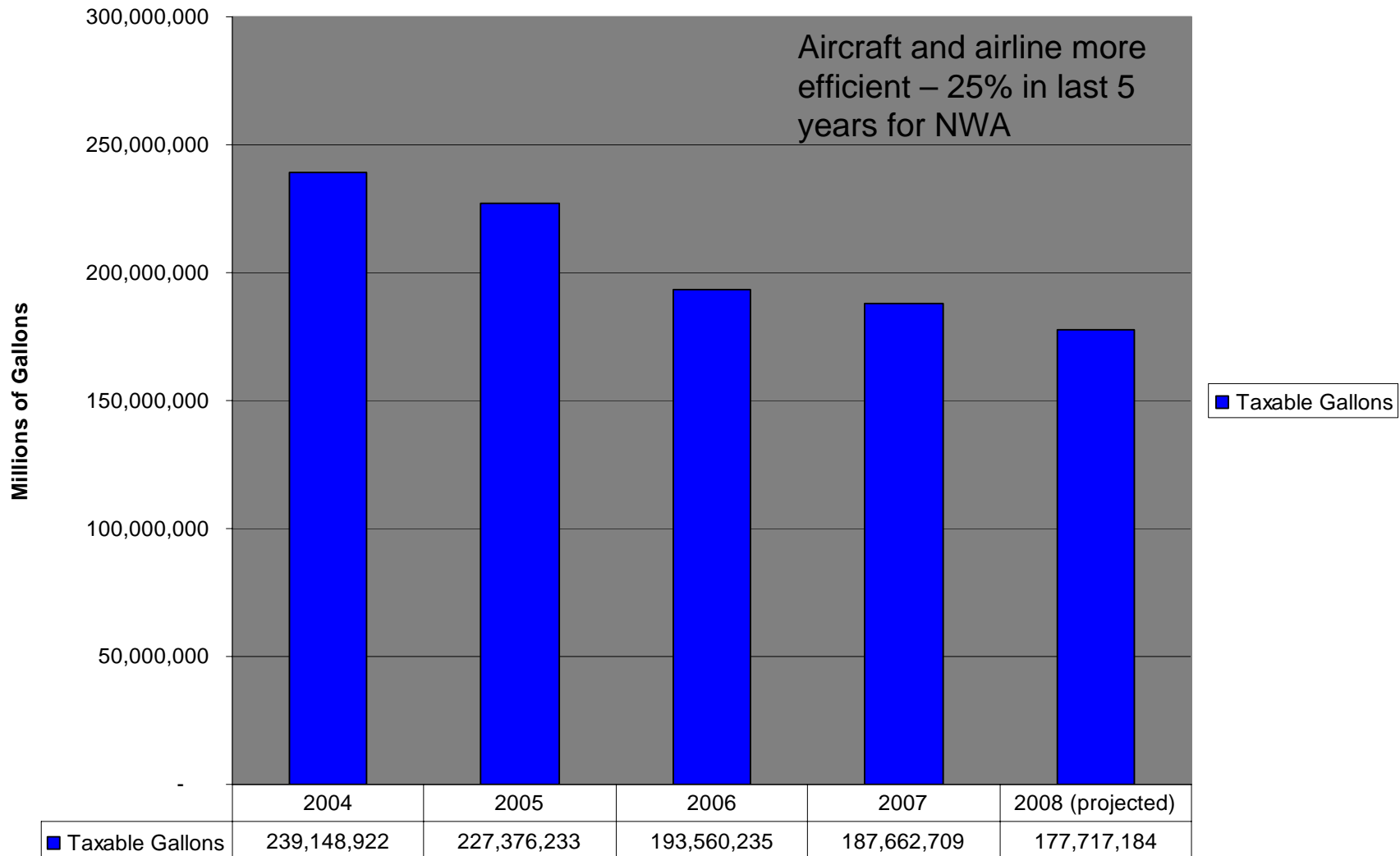
Sales and Use Tax Paid Trend (2004 - 2008 projected, using 2008 1Q Numbers)





Northwest Airlines

Taxable Gallons Trend (2004 - 2008 projected)





Request to Transportation Funding Task Force

- As you move forward with your funding discussion for aviation please recognize that the rising cost of fuel compounded with the 6% sales and use tax on fuel, is a significant factor in the NWA balance sheet.
- NWA will review the options that have been presented to you.
- Recognize that commercial airports have other methods of funding other than taxes including landing fees, passenger facility charges and bonding authority.



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Thank you

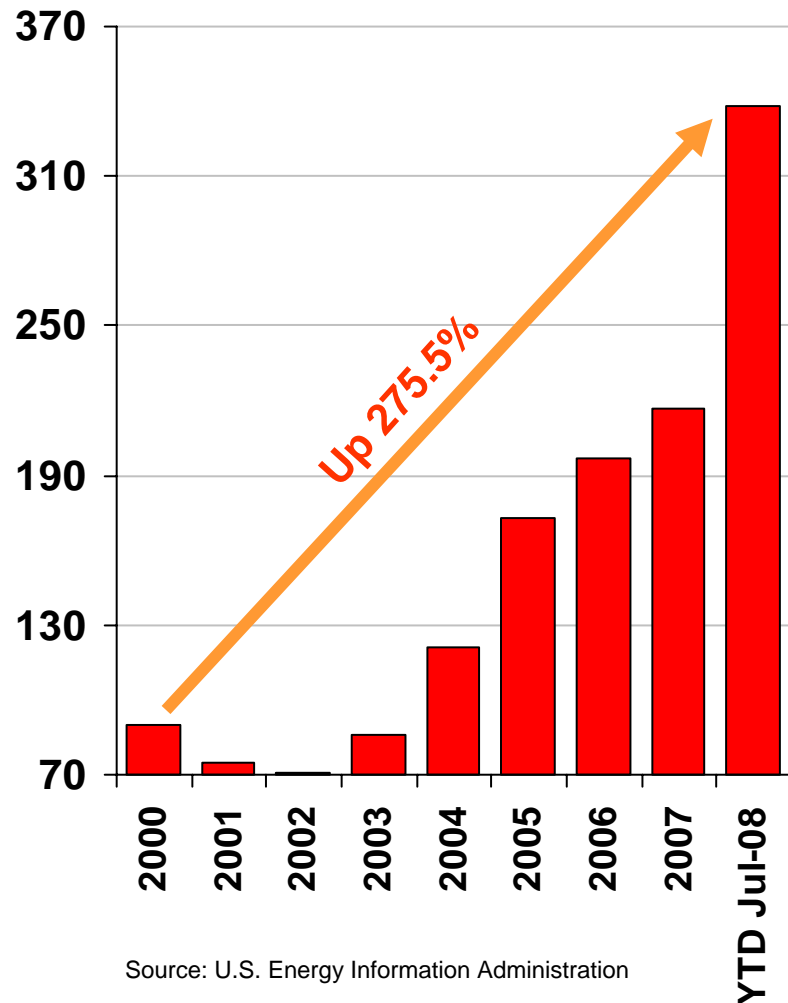
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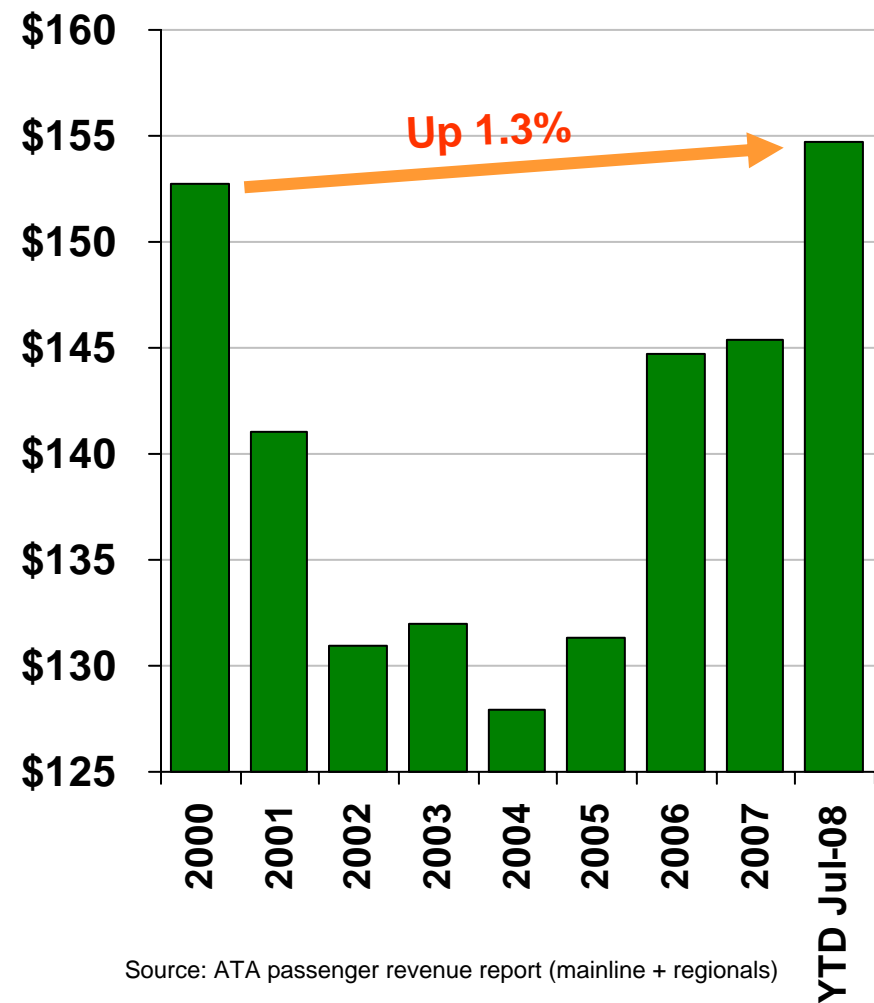
Relative to 2000, Jet Fuel Prices Overwhelming Fares

Since 2000, Average U.S. Jet Fuel Price Up 275%, Domestic Fares Up 1%

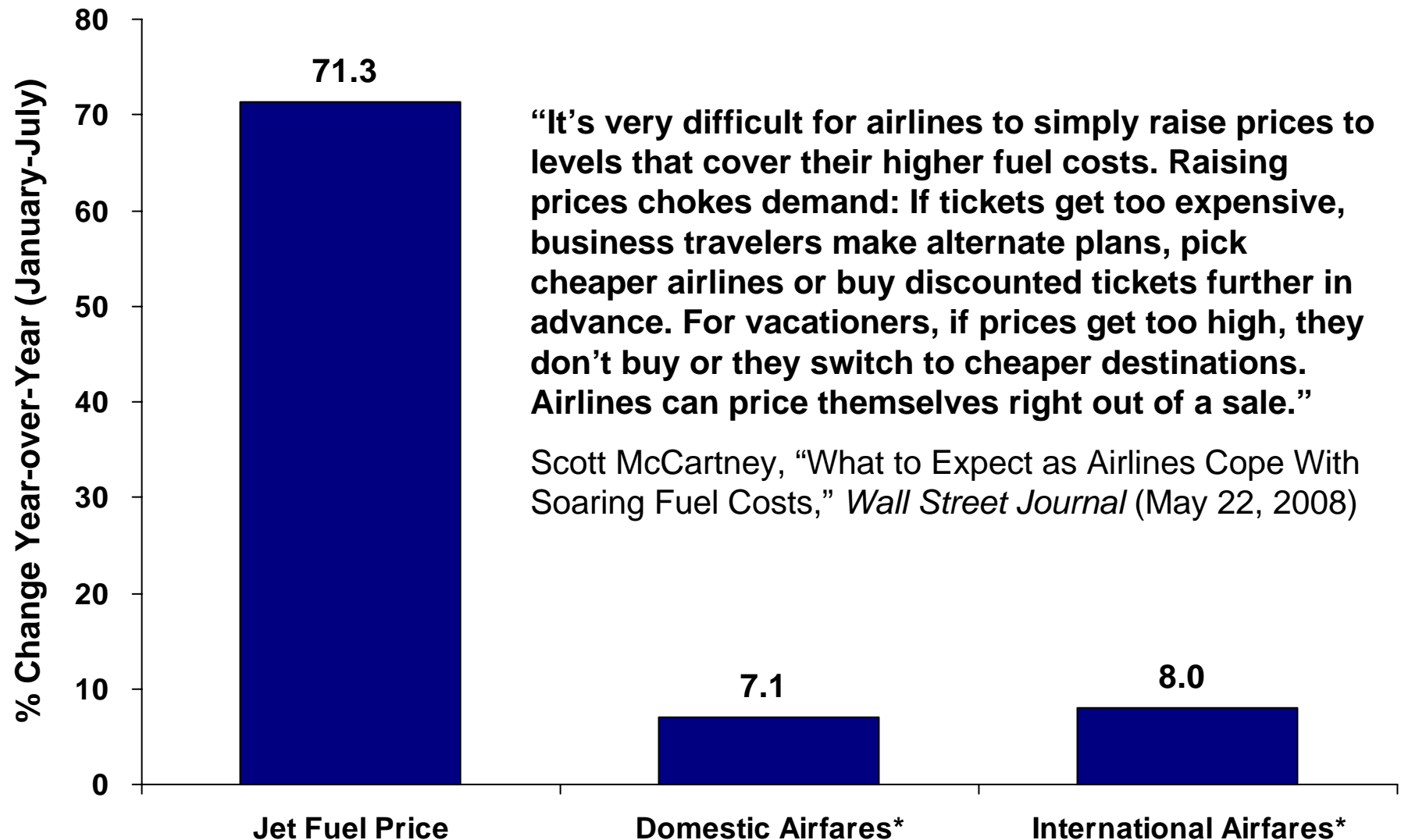
Average U.S. Jet Fuel Price
(Cents per Gallon)



Avg. Fare to Fly 1,000 Miles Domestically
(U.S. Dollars, Excluding Govt. Taxes)



Ticket Prices* Lagging Fuel Prices in 2008



Source: EIA and ATA passenger revenue report

* Fares per mile flown, also known as passenger yield